



AUDIT: COLLEGE STUDENT AID COMMISSION

Audit Report. On October 3, 2016, the Auditor of State released a report on the annual audit of the College Student Aid Commission for the year ended June 30, 2015. The following findings and recommendations were addressed.

GEAR-UP Program. During FY 2014 and FY 2015, the first cohort of GEAR-UP students became eligible for postsecondary scholarship funding from the Program. The Commission matches cohort students with completed Free Application for Federal Student Aid (FAFSA) forms and then notifies the student and the postsecondary institution identified on the form that the student may be eligible for scholarship funds. The institution is responsible for verifying the student's eligibility and award amount before requesting GEAR-UP funds from the Commission.

The auditors found that while the Commission validates certain eligibility criteria, it has not established procedures to ensure that students have met the required enrollment levels for scholarship eligibility. As a result, institutions may be awarded GEAR-UP funds for ineligible students. The auditors recommended that the Commission establish such procedures. The Commission responded that it will establish risk assessment policies and develop procedures to verify recipient enrollment levels and calculated award amounts reported by postsecondary institutions. The response was accepted by the auditors.

Partnership Loan Program. The Commission contracts with a third-party collection agency to collect on nongovernmental delinquent student loans under the Private Partnership Loan Program (PLP). The outstanding principal and interest on the PLP portfolio as of June 30, 2015, was \$15.4 million, of which \$13.7 million was considered uncollectable. The Commission receives weekly wire transfers from the collection agency for collections received, as well as a monthly status report.

During FY 2015, the Commission received approximately \$241,000 in collections prior to paying the collection agency's fee. The auditors found that the Commission has no procedures in place to track the reasonableness of collections or to reconcile monthly collection activity to the outstanding loan portfolio balance. The auditors recommended that such procedures be established.

The Commission responded that the loans in the portfolio were in default status when the Commission purchased them 12 to 15 years ago. While some reconciliation is performed, the collection agency does not disclose how much interest was accrued monthly on each loan. The Commission is currently working on a reconciliation process with the collection agency.

The Commission also noted that it solicited vendors to purchase the PLP portfolio within the last year but did not receive any offers. Based on the age and collectability of the portfolio, the Commission has voted to no longer accrue interest on it starting July 1, 2016. The auditors accepted the Commission's response.

Full report. The full audit report can be found on the Auditor of State's website at https://auditor.iowa.gov/sites/default/files/audit_reports/1660-2840-0R00.pdf.

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